DRN-3450398

The complaint

Miss N says Gracombex Ltd (trading as The Money Platform (TMP)) lent to her irresponsibly.

What happened

This complaint is about high cost loans TMP provided to Miss N between July 2020 and February 2021 as follows:

loan	taken out	repaid	monthly instalments	amount	highest payment
1	26/06/2020	26/06/2020	3	500	£278.67
2	20/07/2020	11/08/2020	3	500	£278.67
3	19/08/2020	15/09/2020	3	750	£418.00
4	27/09/2020	19/11/2020	3	250	£139.33
5	02/12/2020	18/01/2021	3	250	£139.33
6	23/01/2021	15/02/2021	1	500	£647.00
7	28/02/2021	15/05/2021	3	250	£139.33

Miss N mainly said that her repeated borrowing with TMP caused financial problems and led to her having to borrow elsewhere. She felt that if TMP had done more checks it would've realised her financial situation and not loaned to her.

Our adjudicator upheld the complaint in part. He felt that he hadn't seen enough to say that loans 1 and 2 shouldn't have been lent.

But our adjudicator said TMP shouldn't have approved loans 3-7. He thought that proportionate checks would've revealed the full extent of Miss N's borrowing with other short-term lenders and that TMP should have realised it was unlikely Miss N would've been able to sustainably repay loan 3 or any of the loans that followed.

TMP asked our adjudicator to reconsider his view about the loans he felt should be upheld. It mainly said that as Miss N had cancelled loans 1, 3 and 6 within the cooling-off period these should be treated as though they never existed, according to its understanding of regulatory guidance issued.

Our adjudicator explained that it appeared Miss N had still been charged for some of the cancelled loans so it was appropriate to consider these as part of his review of the complaint.

Nothing further was heard from TMP and the deadline for responses has now passed. Miss N is anxious for a decision as quickly as possible so the complaint comes to me to decide.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've set out our general approach to complaints about short-term and irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website.

TMP needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice, this means that it should have carried out proportionate checks to make sure Miss N could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that TMP should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a customer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income)
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income)
- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable. And the loan payments being affordable on a strict pounds and pence calculation might be an indication a consumer could sustainably make their repayments.

But it doesn't automatically follow this is the case. The industry regulator defines sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments, as well as without having to borrow to meet the repayments.

And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

TMP has told us at the time of each application it gathered information on Miss N's income, housing costs and financial commitments. It did electronic checks to verify her pay and also relied on statistical information to compare Miss N's expenditure against national data showing typical spending for someone in the same situation. It also carried out credit checks which provided some information about her credit history and what she was paying to service her existing credit commitments.

TMP's affordability calculations showed that for all the loans, the repayments worked out as affordable for Miss N, leaving her with spare cash after paying for everything.

I've thought about each loan in turn.

As far as I can see, Miss N is happy to accept what our adjudicator said with respect to not upholding her complaint about loans 1 and 2. So I don't think I need to say more about loans 1 and 2 except to say that I agree with our adjudicator about these loans.

But I've kept in mind that these loans were part of Miss N's borrowing relationship with TMP. It looks like she changed her mind almost immediately the first loan was approved – records show that loan 1 started and ended the same day (and it didn't cost Miss N anything). She then went on to repay loan 2 early – less than a month after taking it out.

So, by the time Miss N applied for loan 3, her track record with TMP suggested I think that possibly she was finding it hard to manage her finances in a planned way – potentially an indication that she was facing money problems.

I think that concern was supported by the fact that barely a week after repaying loan 2 early, she applied to borrow a loan that was 50% more than the amounts she had previously taken out. TMP credit checks had shown that Miss N had other credit outstanding when she took out these loans.

It isn't unusual for applicants for this type of high cost loan to have a credit history showing other borrowing or an impaired credit record – and these things wouldn't necessarily be reasons to prompt a responsible lender to decline a loan application if the loan otherwise looked affordable. But I think TMP could see from its credit checks that the sum of her repayments on fixed term accounts had increased from £143 when she took out loan 1 to £200 by the time she was applying for loan 3. And her total outstanding balances on unsecured accounts had gone up more than £1,000 over the same time – a period of just 6 weeks or so - from £3,299 to £4,379.

I think this seemed to be at odds with TMP's understanding that Miss N had ample spare cash each month. Thinking about all of this information, I think our adjudicator was right to say that TMP shouldn't have provided loan 3 to Miss N without a more thorough check of her financial circumstances to see if the loan really was sustainably affordable for her.

So, I've looked at what I think proportionate checks would likely have shown.

Miss N has provided her bank statements so I've looked through these to see what TMP was likely to have found out as I think these give a reasonable insight into her finances at the time. And had TMP looked in more depth at Miss N's finances, it should've found out that Miss N was taking out and repaying loans with at least six other providers of high cost short term and unsecured loans.

I think this suggested that she'd become over-reliant on this sort of credit. And despite her account being boosted by around £2,000 paid in by other lenders the previous month, she was still incurring returned direct debits on her account from time to time. So by the time she applied for loan 3, it looked like she was no longer in control of her finances and she was already in serious financial difficulty. I think TMP should reasonably have concluded that it looked like Miss N was borrowing from one lender to repay other lenders and stuck in a cycle of debt and repeat borrowing.

So TMP should've realised that further lending was unsustainable.

I think that's borne out by the fact that the information available to me shows that Miss N continued to use multiple lenders to access credit.

And had TMP carried out proportionate checking before providing loans 4,5,6 and 7, it should've realised that none of these loans was likely to be sustainably affordable for Miss N and not provided any of them.

I've thought carefully about everything TMP has said, including its response to our adjudicator's view. But this doesn't change my mind about the outcome.

It is unfair that Miss N paid extra for loans that were unfairly provided, so TMP needs to reimburse her accordingly so she doesn't lose out in money terms.

In deciding what redress TMP should fairly pay in this case I've thought about what might have happened had it stopped lending to Miss N at the point of loan 3, as I'm satisfied it ought to have.

Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Miss N may have simply left matters there, not attempting to obtain the funds from elsewhere – particularly as a relationship existed between them and this particular lender which she may not have had with others.

If this wasn't a viable option, she may have looked to borrow the funds from a friend or relative – assuming that was even possible.

Or, she may have decided to approach a third-party lender with the same application, or indeed a different application (i.e. for more or less borrowing). But even if she had done that, the information that would have been available to such a lender and how they would (or ought to have) treated an application which may or may not have been the same is impossible to now accurately reconstruct.

From what I've seen in this case, I don't think I can fairly conclude there was a real and substantial chance that a new lender would have been able to lend to Miss N in a compliant way at this time.

Having thought about all of these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Miss N would more likely than not have taken up any one of these options.

So it wouldn't be fair to reduce TMP's liability in this case for what I'm satisfied it has done wrong and should put right.

Putting things right

TMP shouldn't have given Miss N loans 3 - 7, so:

A TMP should add together the total of the repayments made by Miss N towards interest, fees and charges on these loans, including payments made to a third party where applicable, but not including anything it has already refunded.

B TMP should calculate 8% simple interest* on the individual payments made by Miss N which were considered as part of "A", calculated from the date Miss N originally made the payments, to the date the complaint is settled.

C TMP should pay Miss N the total of "A" plus "B".

D TMP should remove any adverse information it has recorded on Miss N’s credit file in relation to loans 3 - 7.

*HM Revenue & Customs requires TMP to deduct tax from this interest. TMP should give Miss N a certificate showing how much tax TMP has deducted if she asks for one.

My final decision

I am upholding Miss N’s complaint in part, and Gracombex Ltd (trading as The Money Platform) must now put things right as set out above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss N to accept or reject my decision before 7 June 2022.

Susan Webb
Ombudsman